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FREE TRADE

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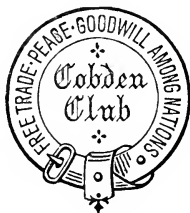
TARIFFS.

A Speech

*DELIVERED ON JULY 20, 1881, TO THE PENGE AND
ANERLEY LIBERAL ASSOCIATION,*

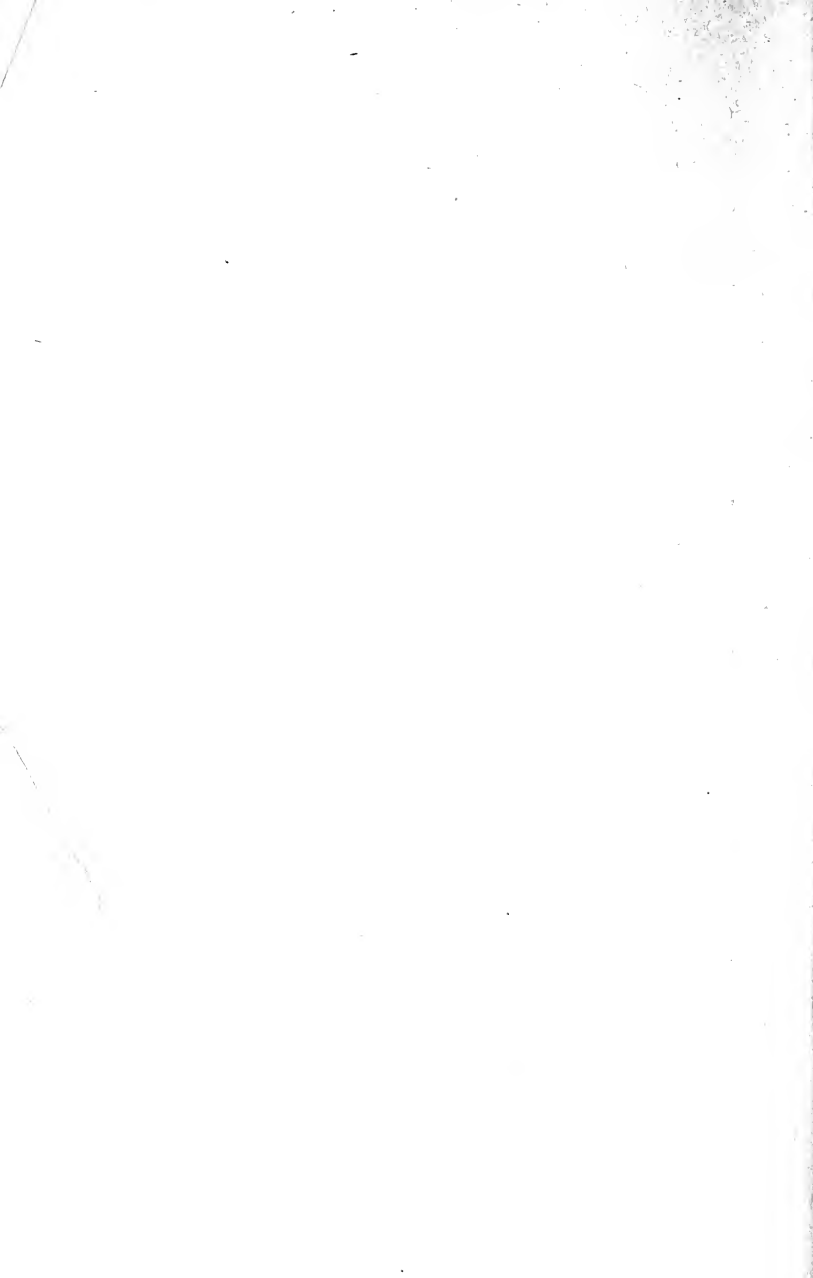
BY

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FREE TRADE AND TARIFFS.

I PROPOSE to-night to call your attention to matters which relate to the commerce of this country. At the present time these have, in addition to their usual importance, a special interest derived from the fact that they appear likely to form a political battle-ground for the Tory party ; and I must confess that, unless some of our opponents had chosen to force Reciprocity, Protection, and Retaliation to the front as semi-political questions, there is perhaps less reason now than at any former period for the resuscitation of such obsolete theories. It is true that the negotiations now in progress for the completion of a new Commercial Treaty with France have called particular attention to the subject of our trade relations with foreign countries, and doubtless the irritation caused by the attitude now assumed by France has helped to raise the clamour for the reimposition of import duties by this country from its normal condition of a slumbering heresy into the active form of a public agitation.

I will attempt to tabulate, as well as possible from the confused and conflicting expressions of these retro-grade economists, some statements as to the objects they have in view, and their method of obtaining them.

We are told, then, that the course they advocate is good for purposes of revenue ; secondly, that it will protect and foster our industries ; thirdly, that it is useful in coercing foreign nations into granting us more liberal terms, or to punish them if they exclude our trade ; and, further, this policy is commended on the ground of its adoption by foreign nations, and the success which is said to attend its practice.

Firstly, as to the benefit of a Protectionist system to the revenue. Of course, the revenue of a country must be raised in some way or another, and so long as our expendi-

ture is of its present enormous magnitude, the problem of raising it will become greater every day. You will all admit that taxation in *any* form is a burden on the people ; for with every shilling which a man pays in taxes he might make some useful purchase, or add to his accumulated wealth. Thus the duty of the Government is not only to render taxation as light as possible, but also to collect it in the cheapest possible way. You will further agree that any process which makes an article artificially dearer is to that extent a deterrent to its purchase ; and if that article be a raw material of manufacture, or a first necessity of life, any addition to its cost would re-act directly on the price of production, the rate of wages, or the cost of living, causing a limitation of trade and an advantage to our industrial rivals.

Let us briefly examine the operation of Customs duties, which find so much favour in foreign countries, and to which we are asked to revert in England because of their success in increasing revenue. The same cry was in fashion before the repeal of the Corn Laws, and for the benefit of those who have not lately studied the operation of the policy then in vogue, I will briefly attempt to show that it is not the high but the low duty which produces the greater revenue ; and nations who still think that by reducing their Customs duties they will decrease their revenue, may take heart from the experience of this country since 1840. The aggregate loss of revenue from repeal or reduction of our duties between 1840 and 1879 amounts to more than £30,000,000, and yet we were enabled to draw almost as much revenue from our Customs in 1879 as we were in 1840 ! Our export trade rose from the almost stationary sum of £51,000,000 in 1840 to the enormous total of £256,000,000 in 1872, and although our exports to-day show some decline on that extraordinary sum, yet it is only the value, and not the actual quantity of goods, which has sensibly diminished. How do we compare with Protectionist countries in the matter of revenue from Customs duties ? I find that Great Britain stands only second on the list. The United States, with her enormous tariff



duties, receives £26,000,000 from this source ; Great Britain, £20,000,000 ; France, £10,000,000 ; whilst Germany and Russia follow with £5,000,000 each. With this experience before us, how it can be urged that there is any better method of raising revenue and of increasing trade than by giving to commerce the utmost freedom, is to me incomprehensible. Indeed, instead of more duties being required, we stand in need of greater exemption from them, nor can we justly describe ourselves as a Free Trade country so long as we continue to raise half our revenue from Customs and Excise ; for we must remember that every tax on wine, tobacco, or tea imposes a restriction on the buying powers of the nations who supply us with those articles, and the more we can take from other countries, the more they will be able to buy from us.

But I shall be told that it is of little use to decrease the cost of our productions, or incidentally to increase the buying powers of the foreigner, unless he will undertake to purchase our products, and that a Free Trade which is only one-sided must operate disadvantageously upon those who adopt it ; further, that as the foreigner will not buy our cheap goods when we offer them to him, we must protect our own producer from the incursions of his foreign rivals.

I observe that one of the favourite methods of increasing our revenue and protecting our producers is based on a proposal to impose duties on foreign corn ; and I must unhesitatingly admit that, if the Protectionist doctrine could hold good at all, it would apply in the strongest degree to the industry of agriculture, which labours in this country under enormous disadvantages. Commerce, as I have pointed out, is comparatively free ; but agriculture is handicapped in every direction. It has been seriously affected by a succession of bad seasons, whilst the feudal trammels which lay such a heavy hand on its development constitute an artificial tax on all engaged in the cultivation of the soil ; and until the land is freed, both as to the power of selling and transfer, and our system of tenure thoroughly reformed, the responsibility for ruinous farming must continue to lie largely at the door of the Legislature

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and the people who permit the grave abuses of our present system to continue. Thus there is more reason in the cry for Protection when it comes from agriculture than when it issues from other quarters ; and if we would relieve ourselves of responsibility in this matter, we must strive to effect a complete réform in the land system of this country. But in respect of the legal and constitutional burdens imposed upon land, we are no worse off now than we were in the day of the corn duties ; and did Protection on corn ever improve the trade of the farmer, or ameliorate the condition of the labourer ?

It is matter of surprise to me that any one of reading and experience on these questions should desire to restore a system which has been so thoroughly tried and found wanting in the past ; and I challenge any one to show that an import duty on corn ever contributed one farthing to the prosperity of agriculture, the profits of the farmer, or the wages of the labourer. If you will look back to the thirty years during which the Corn Laws were in operation, you will find that agriculture was miserably depressed, and that no less than five Committees of the House of Commons were appointed to investigate the causes of its misfortunes. Finally the farmers became the most ardent opponents of those laws, for they discovered that Protection did nothing more than increase the rents of the landlords ; and when some of our landed gentry and aristocracy vaguely hint that a recourse to Protection would be good at the present time, what they really mean is that it might be good *for them* ; and the land system having absolutely broken down, their only method of saving themselves and avoiding pressing reforms is to go round with the hat to all the poor folk in the country for subscriptions to keep the present system on its legs.

It is strange that so many economists of the Reciprocity type regard with gloomy forebodings the relations between our imports and exports. They seem to hug the conviction that it is an unfavourable sign for the trade of a country when its imports are largely in excess of its exports. Such misgivings could only be justified by the old and long since exploded theory of the "balance of trade," which embodied

the delusion that a country is rendered poorer by the money which is exported from it, and under which it was thought favourable to increase exports and discourage imports, in order to limit as much as possible the amount of money sent out of a country.

Whether we pay in money or in kind for our imports, must amount to the same thing in the end. The money we export must have been paid us by some one, inasmuch as we do not command a natural production of the precious metals; and it would be impossible to demonstrate the exact relations of trade movements unless we could produce a balance sheet showing our transactions with all foreign nations, our investments in their public and private securities, &c. Further, if we export goods to America, we must, in order to make a profit and pay charges, get back more than we send; and if, for example, £100 worth of coals from this country are exchanged for £200 worth of corn, we surely cannot complain of the bargain.

But, it will be said, we must tax only luxuries, for few would think of reimposing the Corn Laws, or making raw materials of manufacture dearer; even France receives raw cotton free of duty. These articles of raw production, however, constitute nearly 90 per cent. of our imports, leaving only about 10 per cent. to be dealt with in this way, and even this would be somewhat reduced, for many of our manufactured or semi-manufactured imports are used by our industries in their various processes. Therefore the amount left to work upon, taken in connection with the enormous relative cost of collecting small Customs duties, the army of Custom House officers, and establishment expenses, is so small that we should find such a game would hardly "pay for the candle." Nor would it be possible to single out any one country for treatment of this sort. Though we may receive certain goods from France, we cannot be sure that they are produced there. They may only come to us through that country from Belgium, Switzerland, Germany, or other parts of the continent; and, as it would be impossible to demand certificates of origin in such a multitude of transactions, no other course would be left than to apply a uniform duty to all foreign nations alike.

Now let me deal with the favourite suggestion of an import duty on silk. No doubt such a duty would greatly limit our imports of that article from France. Unless you impose this duty, however, equally on all silk-producing countries, the French exporter would pass his shipments through some other country; and if it were imposed on all foreign silks, the cost of the article to the English consumer would be increased by the amount of that duty. It might be argued that this advance in price would be distributed amongst the manufacturers and operatives, and an improvement in trade thus secured. But any increase in the profit thus obtained by the manufacturer would at once attract a larger amount of capital to the industry, and the competition for the trade would speedily reduce its returns to the normal level. Thus the consumer would be fined, whilst the manufacturer would receive no benefit from such a plan. But it is vain to suppose that the process of taxing imports would be allowed to rest at this point. Other industries, besides that of silk, complain of the influence of foreign competition. The operatives in the cotton, iron, and woollen industries would soon insist on a share of the general Protection; and Parliamentary elections would speedily be influenced here, as they unhappily are in America, by considerations of tariff advocacy and the claims of special trading interests to the benefit of State aid. We cannot, therefore, depart in the slightest degree from our principles of Free Trade without opening the door to a complete reversal of our present system. I can foresee no end to the progress of such a movement but a complete policy of restriction in every department of our trade.

Is there any reason to believe that the commercial system of France is operating beneficially on her principal industries, as shown by her export operations? I find from a Parliamentary return, just published, that in 1859 cotton manufactures exported from France amounted to £2,600,000, whilst in 1879 their exports were £2,500,000; while the exports in 1859 in England were £38,700,000, and in 1879, £51,000,000.

Even the French export of silk manufactures has declined from £20,000,000 in 1859 to £9,000,000 in 1879,

whilst our exports of that article have somewhat increased during the same period. It is probable that the falling off in French silk exports is due, in some degree, to a change of fashion, the fine woollen fabrics of that country having to a certain extent taken the place of silk ; but there is no reason whatever to suppose that the woollen fabrics which are now supplied us from France cannot be made as well in England. The French have paid special attention to this manufacture in preparing and spinning their wools, and we must follow suit. Indeed, I have heard of one manufacturer who, having copied the French process, can now undersell the French "makes" in their own country, even with the addition of duty. Though some French industries have developed of late, they are far from having established supremacy over our own. If they had done so, they would appear as rivals in neutral markets, where all pay alike ; but, as a matter of fact, no such rivalry seriously threatens us.

For the benefit of those who think that Protection has succeeded in America, I will quote a few words from the writings of Mr. J. Farrer Ecroyd, M.P., who, with some appearance of inconsistency, advocates at least a partial recourse to that system in England. Writing of the visits of our artisans to that country in search of better employment, he says :—"Many have returned from America, during the past five years, disgusted with the extremes of the climate, the mode of living, the inordinate power wielded by great trading and carrying corporations, the lax enforcement of laws, and the rigid party organisations which trample down individual liberty of opinion. For true comfort and true liberty they infinitely prefer their native country."

What, indeed, is a commoner sight in our large manufacturing towns than that of workmen who, having tried America, are glad to exchange the vaunted blessings of Protection for the so-called hardships of Free Trade ? Do the rate of wages and the cost of living in America offer any encouragement for the adoption of her commercial system ? Men talk and write glibly of the occasional extreme depression and great fluctuations in the industries of *this* country ; but is there nothing of the sort in America and in France ? Why, the smallest inquiry into this subject will show that

leading industries in America are periodically driven almost to the point of destitution, and that even the enormous advantage afforded by their protective duties does not save manufacturers from the necessity of exporting their productions for the purpose of realising at any price in foreign markets—a fact which is largely responsible for the popular impression about competition of American manufacturers in England. With her vast natural resources, America has succeeded fairly well IN SPITE OF PROTECTION ; but her commercial system will inevitably one day produce great evils, and is indeed already tending to create pauperism—a condition which ought never to show its front in a country so largely endowed as she is with all the means of producing wealth. Does Protection succeed in France? One would suppose not, judging from the Parliamentary inquiries which are constantly in progress there for the purpose of ascertaining the causes of commercial depression ; and it is amusing to find these inquiries almost invariably attributing the sufferings of French commerce to the influence of foreign competition. Thus, we have no monopoly of the foreign competition grievance, for I find it chronic in all Protectionist countries, with or without evidence, and ever ready as a plea for still more Protection, which, however, never did, and never will, cure the evils complained of.

We hear very little in this country of troops of work-people marching about French towns demanding either work or bread. Surely such things should not exist in a land so largely blessed by protective tariffs ! In my opinion, there is a day of heavy reckoning in store for those Governments who try to rob the people for the benefit of a class. Taxes so levied are only permitted because their influence is not thoroughly understood ; but the evil consequences of the system are nevertheless felt, creating a sentiment of discontent and hardship amongst the poorer classes, and providing the elements from which socialism and revolution are largely evolved.

Now, as to coercing foreign countries who deal with us, by imposing duties on our imports from them, I have tried to show that whatever merit such a process might have as a form of commercial “revenge” or “retaliation,” it could by

no means be profitable to us, and it must continue to be a matter of opinion what amount of suffering and expense we should be justified in imposing upon ourselves in order to mark our disapproval of the economic fallacies of other countries.

Mr. Bonamy Price has remarked that though retaliatory duties could not be economically profitable, they might, nevertheless, be adopted as a warlike procedure ; and there is no doubt whatever that by refusing to receive certain products of French industry, we might deal a sore blow to the trade of that country ; but I have already shown that such an attempt would not end with France, who is not the chief offender in this matter. We should be driven step by step into a general war of tariffs ; and I ask you : Does the past experience of commerce encourage us in such a line of policy as this, or could we ever afterwards urge with consistency the adoption of a more liberal commercial policy on the part of other nations, when we ourselves had thrown to the winds our convictions, and denounced those principles which have made this country the greatest trading nation in the world ?

I regard it as most unfortunate that at the present time any persons of influence and position think it consistent in the same breath to invite concessions from France on her present tariff duties, on the ground that they will be beneficial both to herself and her neighbours, and also to hold over her the threat that if she does not comply with this request, we must adopt the very policy we condemn as antagonistic to our own commercial interests.

One of the most popular, and at first sight most plausible, arguments used in favour of protection to industries in this country consists in the claim set up for compensation to our workpeople for the disadvantages which they are alleged to sustain in consequence of the restrictions affecting their working hours imposed by the Legislature, a disability from which continental labour is exempt. I would remark, however, that there has been no intention in legislation of this class to impose any disability on labour, but rather to increase its efficiency ; and I believe the working classes themselves were the most energetic advocates of the doctrine

that in order to secure the maximum efficiency for production, workpeople should attain and maintain the highest possible state of social, moral, intellectual, and physical well-being ; and if the laws now in operation, with the sole object of obtaining these conditions, are found to have an opposite effect, viz., that of impairing the efficiency of the industries they are designed to assist, there is but one course open—to seek relief from the operation of such unjust laws. But it yet remains to be proved that the longer hours of labour in France, for instance, constitute a real economy of production. In the cotton trade especially no proof is forthcoming that the rate of wages in that country is more favourable to their manufacturers than the system which obtains here, and even if some disability be applied to a certain class as against another, will it at all mend matters to extend this hardship to the whole nation by adding to the already existing burdens of the people?

I will conclude with a few remarks on the subject of our present negotiations with France. It would, in my opinion, be impossible to over-estimate the advantages which have followed Mr. Cobden's Treaty, both commercially and politically. Let us briefly consider our commercial relations with France in 1860. In January of that year the yarns of Manchester and Leeds ; the textile fabrics of Manchester, Leeds, Glasgow, Huddersfield, Bradford, Leicester, and Coventry ; the stoneware of Staffordshire, London, and Newcastle ; the glassware of Birmingham, Newcastle, and London ; the cutlery of Sheffield, and many other important manufactures were entirely excluded from the French markets. In that year our total exports to France were £9,000,000 and our imports over £13,000,000—a total trade of £22,000,000 ; whilst last year it had increased to the sum of £53,000,000 ; and in estimating the special influence of the Treaty in producing this trade, we must compare it with the progress made during the same period in our transactions with other foreign countries. Our total foreign trade has barely doubled itself during the last twenty years, but the Anglo-French trade, including re-exports, is nearly three times what it was in 1860.

I shall say little on the well-worn topic of the improved political relations brought about, in my belief, by the Treaty system ; but I most strongly hold the opinion that it has been of enormous advantage in that respect, and that if unhappily the Treaty arrangements with France should terminate, the loss might be felt both politically and commercially.

It is true that if the results of the Treaty have been beneficial to England, they must in a greater degree have been so to France ; and if we really believe the Free Trade principles we profess, we should have confidence that, with or without a Treaty, she will eventually see her interest in adopting a more liberal policy towards this country. It, therefore, does not behove us either to threaten or cajole her into a course which is obviously so much to her advantage. If we could bring home to the minds of the French people the advantage they would derive from adopting a more enlightened commercial system, little misgiving need be entertained as to their action on the Treaty question ; but, unfortunately, we have to deal not with the French people, nor even with the convictions of the French Government. The balance of political parties in France is so delicate, that the smallest influences must be taken into account. Thus, the manufacturers, who through their workpeople exercise considerable influence at elections, are now able to make terms with the various factions. Times are changed since the Emperor, by his personal will, could set aside selfish industrial demands, and act independently of their machinations ; it seems that the present Government dare not, even if they would, disregard those powerful influences. Consequently, the interest of the French consumer and the great issues which, in this matter, apply to foreign countries, are subordinated to the demands of a Protectionist political clique, and there can be no stronger illustration of the extreme danger which would be incurred if England were once to associate with politics the selfish interests of trade classes. For this reason alone I should like to see the tariff question set at rest by the conclusion of a Treaty with France. Of course it would be impossible to make a Treaty worse than that of 1860, and it is beyond measure disap-

pointing to find that France manifests so little willingness to make a better one ; but our Government have worked diligently and well in this matter. The commercial community have been taken into their confidence, and have co-operated in demonstrating to the French Commissioners the fallacy of their present demands. I can only express a hope that in the end the efforts of our Government will be crowned with success, and that, even should they fail for a time, we at least shall remain faithful to the principles which have bestowed such abundant blessings on our country.

APPENDIX.

It is often alleged that we are living upon our capital, the ground of this assertion being the preponderance in value of our imports over our exports. The annexed table clearly shows the relation between these during the past twenty years :—

BRITISH AND IRISH TRADE.

YEAR.	IMPORTS.	EXPORTS.	PERCENTAGE THAT EXPORTS BEAR TO IMPORTS.
1861	£217,485,024	£125,102,814	57·5
1862	225,716,976	123,992,264	54·9
1863	248,919,020	146,602,342	58·8
1864	274,952,172	160,449,053	58·3
1865	271,072,285	165,835,725	61·1
1866	295,290,274	188,917,536	63·9
1867	275,183,137	180,961,923	65·7
1868	294,693,608	179,677,812	60·9
1869	295,460,214	189,953,957	64·2
1870	303,257,493	199,586,322	65·8
1871	331,015,480	223,066,162	67·3
1872	354,693,624	256,257,347	72·2
1873	371,287,372	255,164,603	68·7
1874	370,082,701	239,558,121	64·7
1875	373,939,577	223,465,963	59·7
1876	375,154,703	200,639,204	53·4
1877	394,419,682	198,893,065	50·4
1878	368,770,742	192,848,914	52·3
1879	362,991,875	191,531,758	52·7
1880	411,229,565	223,060,446	54·2

From the above it will be seen that last year the proportion of exports to imports was almost identical with that twenty years since, there having been only one year in the period under review in which the imports were more than 70 per cent. of the exports. If, as it is said, we had paid for the excess of imports out of our capital, ruin would long since have overtaken us ; but the fallacy of the allegation is proved by the value of property assessed to Income-tax, which amounted in 1861 to £335,654,211, and £578,046,297 in

1879, the growth being continuous up to the year 1878, as shown by the subjoined table:—

1861 ...	£335,654,211	1871 ...	£465,594,366
1862 ...	351,745,241	1872 ...	482,338,317
1863 ...	359,142,897	1873 ...	513,807,284
1864 ...	371,102,842	1874 ...	543,025,761
1865 ...	395,828,680	1875 ...	571,056,167
1866 ...	413,105,180	1876 ...	579,297,347
1867 ...	423,773,568	1877 ...	570,331,389
1868 ...	430,368,471	1878 ...	578,294,971
1869 ...	434,803,957	1879 ...	578,046,297
1870 ...	444,914,228		

The prosperity of our country is further demonstrated by the progress in railways which has taken place during the same period. In 1861 the number of miles opened was 10,000, and in 1879, 17,000; the capital authorised in shares, etc., amounted to £429,000,000, as compared with £789,000,000. The amount of fully paid-up capital in 1861 was £362,000,000, and in 1879, £717,000,000. Again, in 1861 the number of passengers (exclusive of season ticket holders) was 173,000,000, and in 1879, 562,000,000; whilst the receipts for railway traffic from all sources amounted to £28,000,000 in the former, and £61,000,000 in the latter year.

Investments in Savings Banks, too, afford additional proof, if such were required, of our increased prosperity. In the year 1861 the capital of the Trustees' Savings Bank amounted to £41,000,000, whilst in 1879 the total capital of the Trustees' and Post-office Savings Banks (which were amalgamated in 1863) amounted to £75,000,000.

It is interesting to notice that at the end of 1841—the year in which Savings Banks were instituted—the total deposits were £24,000,000; whilst in 1879 they amounted to £51,000,000, an increase of about 209 per cent. The increment from year to year has been remarkably regular, there being only eight years out of the thirty-eight, and these years of exceptional depression or scarcity, in which the increase has not been steadily progressive.



